Supreme Court, U.S.
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No.

IN THE

Supreme Court of the United States

OCTOBER TERM, 1996

JOHN LABATT LIMITED; LABATT BREWING COMPANY LIMITED; LABATT'S USA, INC.; and LABATT IMPORTERS, INC,

Petitioners,

v.

ANHEUSER-BUSCH, INCORPORATED,

Respondent.

Petition for a Writ Of Certiorari to the United States Court of Appeals for the Eighth Circuit

PETITION FOR A WRIT OF CERTIORARI

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QUESTIONS PRESENTED FOR REVIEW

1. Since precedent established that whether marks are trademarks depends exclusively on how U.S. consumers perceive the mark, did the Court of Appeals err in approving the jury's consideration of evidence of foreign, trade and internal uses of the marks at issue in deciding whether those marks were trademarks?

2. Since substantial evidence was heard by the jury only for a limited purpose, did the Court of Appeals err in holding that Rule 105 of the Federal Rules of Evidence did not require that the jury be instructed regarding the limited purpose for which the evidence could be used?

PARTIES TO THE PROCEEDINGS

All parties to the proceedings in the lower courts are listed on the front cover of the petition.

RULE 29.6 STATEMENT

Pursuant to Rule 29.6 of the Rules of this Court, Petitioners state as follows:

Petitioner John Labatt Limited states that its parent company is Labatt Brewing Company Limited and that John Labatt Limited owns no nonwholly owned subsidiaries.

Petitioner Labatt Brewing Company Limited states that its parent company is Fraber B.V., a subsidiary of Interbrew S.A./N.V. and Interbrew Belgium S.A. Labatt Brewing Company Limited owns the following nonwholly owned subsidiaries: Toronto Blue Jays Baseball Limited, Guinness Canada Limited, Mico Investments Limited, FEMSA Cerveza S.A. de C.V., Brewers Retail Inc., Secret Vision Limited, BCL Entertainment Corp. and SkyDome Corporation.

Petitioner Labatt's USA, Inc. has been merged into Labatt USA, L.L.C. Labatt USA, L.L.C. states that its parent companies are LF Holdings I, L.L.C. and LF Holdings II, L.L.C. Labatt USA, L.L.C. owns no nonwholly owned subsidiaries.

Petitioner Labatt Importers, Inc. has been merged into Labatt USA, L.L.C. Labatt USA, L.L.C. states that its parent companies are LF Holdings I, L.L.C. and LF Holdings II, L.L.C. Labatt USA, L.L.C. owns no nonwholly owned subsidiaries.

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PETITION FOR A WRIT OF CERTIORARI

The Petitioners John Labatt Limited, Labatt Brewing Company Limited, Labatt's USA, Inc. and Labatt Importers, Inc. (collectively "Labatt" or "Petitioners") respectfully pray that a Writ of Certiorari issue to review the judgment and opinion of the United States Court of Appeals for the Eighth Circuit entered in Anheuser-Busch, Inc. v. John Labatt Limited, *et al.*, 89 F.3d 1339 (July 8, 1996) (App. 1a-19a).

OPINIONS BELOW

The opinion of the United States Court of Appeals for the Eighth Circuit (the "Opinion" or "the Court of Appeals' Opinion") is reported at 89 F.3d 1339, and is reprinted in the Appendix hereto at 1a-19a. The order of the United States Court of Appeals for the Eighth Circuit denying Petitioners' petition for

rehearing and suggestion for rehearing *en banc,* which is unreported, is reprinted in the Appendix hereto at 24a.

The judgment of the United Stated District Court for the Eastern District of Missouri (Gunn, J.), which is unreported, is reprinted in the Appendix hereto at 20a-22a.

The orders of the United Stated District Court for the Eastern District of Missouri (Gunn, J.) relating to post-trial motions, which are unreported, are reprinted in the Appendix hereto at 21a-23a.

The *in limine* rulings of United Stated District Court for the Eastern District of Missouri (Gunn, J.), which are unreported, are reprinted in the Appendix hereto at 27a-28a.

JURISDICTION

The jurisdiction of the United States District Court for the Eastern District of Missouri was invoked under 15 U.S.C. § 1121 and 28 U.S.C. § 1338 (federal question), 28 U.S.C. § 1332 (diversity) and principles of ancillary and pendant jurisdiction. The judgment of the United States Court of Appeals for the Eighth Circuit was entered on July 8, 1996 and was amended on July 18, 1996. Petitioners filed a timely petition for rehearing and a suggestion for rehearing *en banc.* An order denying that petition was issued on August 12, 1996.[1] This petition for writ of certiorari is being timely filed. The jurisdiction of this Court to review the judgment of the United States Court of Appeals for the Eighth Circuit is invoked under 28 U.S.C. 1254(1).

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[1]After denying Petitioner's Motion to Stay the Mandate, the Court of Appeals issued its mandate to the District Court on September 13, 1996 (App. 25a-26a).

STATUTORY PROVISION INVOLVED

Rule 105 of the Federal Rules of Evidence, 28 U.S.C., provides as follows:

> When evidence which is admissible as to one party or for one purpose but not admissible as to another party or for another purpose is admitted, the court, upon request, shall restrict the evidence to its proper scope and instruct the jury accordingly.

STATEMENT OF THE CASE

At issue in this case was whether Labatt's marks "ICE," "ICE BEER," "ICE BREWING," and "ICE BREWED" (the "Ice Marks") were trademarks infringed in the United States by Anheuser-Busch, Inc. ("A-B"). Before this case, it was unquestioned that the only evidence relevant to that issue was the perception of U.S. consumers. However, in this case, a St. Louis, Missouri jury was permitted to take into account considerable evidence about references to the words ice beer in Canada and Germany, in the trade, and internally at Labatt, to determine the Ice Marks' validity. After weighing that irrelevant evidence, the jury found that the Ice Marks were not trademarks. As courts have uniformly held, the jury should never have been allowed to consider that evidence to determine the trademark issues.

The United States Court of Appeals for the Eighth Circuit (the "Court of Appeals") affirmed the jury's verdict. It reasoned that, so long as the evidence of foreign, internal and trade use of the words ice beer was relevant to A-B's claim of false advertising, that same evidence could be used by the jury to determine any issue, including the issue of trademark validity. Such was the case even though that evidence was not germane to the trademark issue. This result was particularly compelling, according to the Court of Appeals, since Labatt had "opened the door" to allow the evidence to get in to begin with by choosing to

defend itself against A-B's false advertising claim.[2] However, the Trial Court and, in turn, the Court of Appeals wrongfully ignored Rule 105 of the Federal Rules of Evidence ("Rule 105"), the application of which would have instructed the jury on which evidence was germane to particular issues.

Under Rule 105, where evidence is admitted for one limited issue but is irrelevant to another, the trial court, if asked, must instruct the jury to weigh the evidence only with respect to the issue to which it is relevant. Otherwise, as was the case here, the jury would be ignorant of the evidence's limited use. Because evidence which related to the false advertising claim was irrelevant to the trademark issues, Labatt sought under Rule 105 to have the jury so instructed. However, the Trial Court refused Labatt's request and, consequently, the jury's determination about the Ice Marks' status was based on irrelevant evidence.

By affirming the jury verdict, the Court of Appeals' Opinion conflicts with controlling trademark law precedent, flatly contravenes the mandatory nature of Rule 105 and the precedents applying it, and exposes many valuable U.S. trademarks to attack based on evidence universally viewed as irrelevant prior to the Court of Appeals' Opinion.

A. *Factual Background*

Labatt competes in the U.S. beer market, a market for which A-B holds about a 45% share. Since that market is not growing, competitors search for new products to increase their market share at each other's expense.

In 1992, Labatt conceived of the mark "Ice Beer" for a new product. Labatt matched the "Ice Beer" concept with a patented brewing process which chilled beer to the point where ice crystals

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[2] A-B charged that Labatt engaged in false advertising by stating it invented Ice Beer. The jury found in favor of Labatt on this issue.

formed, indicating that the beer was at about its freezing point. At that low temperature, polyphenols and proteins precipitated out of the beer, which improved the beer's taste and appearance. Labatt labelled the novel process "Ice Brewing."

Labatt successfully launched Ice Beer in Canada on March 25, 1993. Labatt began advertising Ice Beer and its Ice Brewing process in Canada on March 25, 1993 and in the United States on March 29, 1993. Before Labatt introduced Ice Beer and Ice Brewing to the United States, no one had ever made, advertised or sold an "ice beer" or an "ice brewing" process anywhere in this country. A-B recognized Ice Beer and Ice Brewing as breakthroughs in the beer industry.

Labatt began selling Ice Beer in the United States in October 1993. At about the same time, A-B began selling what it called an "ice beer," named Ice Draft. A-B promoted its Ice Draft beer as a "new and unique" beer made with a "revolutionary new method of brewing" called "ice brewing." In that first year in the market, A-B spent nearly $75 million marketing and promoting Ice Draft.

When Labatt demanded that A-B cease infringing the Ice Marks in the United States, A-B filed a complaint in its hometown seeking a declaration that the Ice Marks were not trademarks and claiming that Labatt had engaged in false advertising and injurious falsehood by stating that Labatt invented Ice Beer. Labatt counterclaimed against A-B for trademark infringement, destruction of Labatt's trademarks (genericide), false advertising, breach of contract, and other common law and statutory violations.

B. *The District Court Proceedings*

The key issue at trial was whether the Ice Marks were trademarks. Before trial, A-B disclosed that its argument that the Ice Marks were generic would include: (a) evidence about the

brewing and sale in Germany of Eisbock beer (which A-B translated to mean "ice beer"); (b) evidence about the brewing and sale in Canada of an Eisbock beer; (c) the publication of newspaper and trade journal articles in Canada about "ice beer"; (d) evidence about how "ice beer" was defined in a trade dictionary; and, (e) evidence about how the Ice Marks were used internally by Labatt's employees.

As a result, Labatt filed motions *in limine* to bar A-B from resorting to foreign, trade and internal uses of the Ice Marks to argue that the marks were generic. The *in limine* motions were grounded on *Anheuser-Busch, Inc. v. Stroh Brewery Co.*, 750 F.2d 631 (8th Cir. 1984) (*"A-B v. Stroh"*), where A-B claimed "L.A. Beer" as its mark and successfully blocked its competitor Stroh from using the mark. Stroh had challenged A-B's right to the exclusive use of the mark with evidence that "L.A." had been used generically both in Australia and internally at A-B. *Id.* at 642-43. The Court of Appeals held that one beer competitor could not undermine another's mark with evidence about how the mark had been used either in other countries or internally at the other competitor because only U.S. consumer perception determined whether a mark is a trademark. *Id.* at 643. Given the holdings in *A-B v. Stroh*, which resolved issues identical to those in this case, Labatt's *in limine* motions asked that the same rules which benefitted A-B in *A-B v. Stroh* be followed when A-B infringed Labatt's marks.

The Trial Court granted Labatt's *in limine* motions with respect to the trademark issues but also ruled that if Labatt denied falsely advertising that it had invented the term Ice Beer, then the jury could hear A-B's evidence of other uses of the words ice beer (App. 27a-28a).

Since Labatt denied A-B's false advertising claim, each day for two weeks, over Labatt's objections, the jury heard evidence about many uses of the Ice Marks which were irrelevant to the

dominant trademark issue. The jury heard about so-called "ice beers" which had been brewed in Germany for hundreds of years (*Eg.* App. 35a-36a). The jury heard evidence about a supposed "ice beer" brewed in Canada (*Eg.* App. 37a-38a). The jury saw and heard about articles published in Canadian newspapers and trade journals discussing purported "ice beer" (*Eg.* App. 39a-41a, 43a). The jury was shown a trade dictionary which ostensibly defined, more accurately mistranslated, Eisbock as "ice beer" (*Eg.* App. 42a). Finally, the jury listened as Labatt's employees were questioned about how the Ice Marks had been used within Labatt (*Eg.* App. 44a). When Labatt objected to this irrelevant evidence, the Trial Court repeated that the evidence was admitted subject to the *in limine* orders (*Eg.* App. 44a).

As to U.S. consumer perception of the Ice Marks, the only true test of trademark status, the jury learned that no U.S. consumer had heard of "Ice Beer" or "Ice Brewing" before Labatt began using those marks in this country. August Busch III, the president of A-B, admitted that no generic category of "ice beer" existed in the United States before Labatt began selling Ice Beer here (App. 45a). August Busch IV testified that unlike common terms "light" and "dry" which merely described a beer product, "ice beers" appealed to consumers because "(t)he word ice links in with desired imagery. When you are hot and thirsty there is nothing like an ice cold beer" (App. 46a-48a). While the jury also heard experts opine about how consumers perceived the Ice Marks, none of these experts gave evidence about consumer perception in or before October, 1993 in the United States, the time when Labatt introduced Ice Beer in the United States. The jury's determination on the trademark issues was never decided upon, or limited to, this relevant evidence.

At the close of the evidence, Labatt requested that the jury be instructed pursuant to Rule 105 that A-B's evidence of foreign, trade and internal uses of the Ice Marks had been admitted only

for the limited purpose of resolving A-B's false advertising claim and, therefore, must not be considered by the jury in resolving the trademark issues (App. 29a-31a). The Trial Court refused to give the Rule 105 instruction. Consequently, in its closing argument, A-B repeatedly returned to the foreign, trade and internal uses of the Ice Marks to persuade the jury that the Ice Marks were not trademarks (*Eg.* App. 49a-50a).

After two and one-half days of deliberation, the jury found that the Ice Marks were not trademarks. The jury also found in favor of A-B on its injurious falsehood claim and awarded A-B one dollar as compensatory damages and five million dollars as punitive damages (App. 32a-34a). The Trial Court entered judgment on those verdicts (App. 20a). After post-trial motions were filed, the Trial Court vacated the punitive damage award in favor of A-B, but left intact the remainder of the judgment (App. 21a-23a). Cross appeals to the Eighth Circuit followed.

C. *The Court of Appeals' Decision*

On appeal, Labatt argued that the jury's trademark verdict must be vacated because the jurors decided the issue using irrelevant evidence of foreign, trade and internal uses of the Ice Marks, an injustice which would have been avoided had Rule 105 been invoked.

The Court of Appeals affirmed the jury's verdict, thereby squarely contradicting controlling precedent and ignoring the Federal Rules of Evidence. *Anheuser-Busch, Inc.*, 89 F.3d at 1350 (App. 19a). Without acknowledging its departure from *A-B v. Stroh* or citing to that controlling case, the Court of Appeals held that the evidence of irrelevant uses of the Ice Marks was properly used to determine the marks' fate. *Id.* at 1345 (App. 8a-9a). The Court of Appeals explained neither how evidence admitted only for the limited purpose of resolving the false advertising claim

could rightly be used to resolve the trademark issues, nor why Rule 105 could be ignored.

The Court of Appeals' Opinion thus made two significant, unwarranted changes in the law: *first,* it held that evidence of foreign, internal and trade uses of a mark can be considered in determining whether the mark is a trademark and, *second,* it held that Rule 105 is now discretionary, not mandatory.

REASONS FOR GRANTING THE WRIT

I. THE COURT OF APPEALS' ACCEPTANCE OF EVIDENCE OF FOREIGN, TRADE AND INTERNAL USE OF MARKS TO RESOLVE TRADEMARK ISSUES WAS WRONG AND CONTRADICTED ESTABLISHED CASE LAW PRECEDENT.

A. Foreign, Trade and Internal Uses of a Trademark are Irrelevant Under Established Precedent.

Before the Court of Appeals' Opinion, courts had uniformly held that uses of a mark in foreign countries, uses of a mark in the trade, and uses of a mark internally were irrelevant to whether the mark served as a trademark in the United States. *See e.g., Big O Tire Dealers v. Goodyear Tire & Rubber Co.,* 561 F.2d 1365, 1369 (10th Cir. 1977) (meaning of a mark within the trade is irrelevant to the determination of the mark's meaning to the purchasing public), *cert. denied,* 432 U.S. 1052 (1978); *Blisscraft of Hollywood v. United Plastics Co.,* 294 F.2d 694, 698-99 (2d Cir. 1961) (trade use is irrelevant to consumer perception of a mark); *U.S. Express, Inc. v. U.S. Express, Inc.,* 799 F. Supp. 1241, 1243-44 (D.D.C. 1992) (foreign and trade uses of a mark are irrelevant to U.S. consumer perception of the mark); *Burger King Corp. v. Pilgrim's Pride Corp.,* 705 F. Supp. 1522, 1524-26 (S.D. Fla. 1988) (evidence that "tender" is generic in the chicken industry does not determine if the consuming public considers the term

generic), *aff'd*, 894 F.2d 412 (11th Cir. 1992); *G. Heileman Brewing Co. v. Anheuser-Busch, Inc.*, 676 F. Supp. 1436, 1467 (E.D. Wis. 1987) (industry meaning of a mark is not determinative of its meaning to consumers), *aff'd*, 873 F.2d 985 (7th Cir. 1989); *Seiko Sporting Goods v. Kabushiki*, Inc., 545 F. Supp. 221, 226 (S.D.N.Y. 1982) (evidence that "Seiko" was generic in Japan held irrelevant to perception of the mark in the U.S.), *aff'd*, 697 F.2d 296 (2d Cir. 1982). All of these cases reasoned, as had the Court of Appeals in *A-B v. Stroh*, that only the perceptions of U.S. consumers were relevant to whether a mark is a trademark. Accordingly, regardless of whether either "L.A." was a generic mark in Australia (as in *A-B v. Stroh*), or the mark "tender" was generic in the chicken industry (as in *Burger King Corp. v. Pilgrim's Pride*), the evidence of such foreign and trade uses was irrelevant to the status of the respective trademarks and, therefore, inadmissible.

The Court of Appeals' Opinion contradicts all of this precedent for no valid reason. This change to the trademark law makes valuable trademarks vulnerable to attack with evidence heretofore regarded as irrelevant at a time when the domestic protection of trademarks is becoming increasingly vital. The Court of Appeals' notion that a domestic trademark can be destroyed by evidence of its use in another country unravels trademark law and threatens the vitality of marks in which many U.S. citizens and companies have invested billions of dollars to develop.

U.S. trademark laws only protect use of a mark in this country based on how the mark is perceived by consumers here, and do not purport to extend protection beyond this country's borders. In return, U.S. trademarks are not to be diluted by events in other countries. The owner of a mark should not be stripped of the protection of this country's trademark laws because of something that allegedly occurred in Germany several hundred years ago or supposedly in Canada years earlier.

The Court of Appeals' Opinion wrongly affirmed the Trial Court's decision assuming, incorrectly, that the jury could decide on its own what evidence constituted U.S. consumer perception and that only that evidence, to the exclusion of all else, determines a mark's validity. Of course, were juries so knowledgeable, no instruction would have to be provided. However, the very presence of Rule 105 and the need for jury instructions make manifestly clear that no one can rightly say the jury has such capacity.

The Court of Appeals' assumption that the jury could also fathom the differences between trade perception and public perception of a mark is equally misguided. Every trade has its own peculiar dialect; the "hook" that a baseball manager is said to use to remove a pitcher is not the "hook" a fisherman requires. Daily use of a mark creates a common understanding among tradespeople to which the general consuming public is not privy. A trademark is protected because of the message it conveys to the general public, not the unique message it conveys to a select few.

Equally inexplicable is the Court of Appeals' affirmation of the jury's consideration of the use of the Ice Marks internally at Labatt to determine trademark validity. How A-B internally used "L.A." was held to be irrelevant in *A-B v. Stroh*; how Labatt used "Ice Beer" internally was equally irrelevant. An employee's internal, casual use of a mark is no measure of consumer perception of that mark, but evidence of the irrelevant use can be, and in this case was, impermissibly exalted to a party admission.

The Court of Appeals may have assumed that the St. Louis jury had the ability to sift through the evidence about foreign, trade and internal use, and decide on its own what was pertinent. However, no court has ever before made that assumption, choosing instead to adhere to the view that a jury could not perform such a task without instruction from the court.

There was no call for the Court of Appeals to ignore established trademark law and the Federal Rules of Evidence. Labatt was justified in asserting its right to protect the Ice Marks. That right was underscored by how the Ice Marks were perceived by U.S. consumers. The Court of Appeals was wrong to deny Labatt that protection because of evidence of uses which have been universally recognized as irrelevant. It is dangerous to let this new precedent stand because it makes vulnerable thousands of other trademarks which were indisputably valid before the Court of Appeals' Opinion.

B. The Opinion Does Not Justify The Court of Appeals' Departure From Established Precedent.

The Court of Appeals ignored *A-B v. Stroh* ostensibly because Labatt "opened the door" to the admissability of other uses of the Ice Marks by defending itself against A-B's false advertising charge. *Anheuser-Busch, Inc.*, 89 F.3d at 1345 (App. 8a-9a). That explanation is a pretense for three reasons.

First, the *in limine* rulings, if so construed, placed Labatt in an untenable position. Labatt either had to drop its defense to A-B's false advertising claim to prevent the irrelevant use evidence from being considered on trademark issues or to defend against the false advertising claim and subject its trademarks to attack by non-probative, prejudicial evidence. A trademark owner should not be confronted with such a Hobson's choice or be punished for defending itself against a trumped-up false advertising claim. To conclude otherwise would encourage the joinder of a false advertising claim, or other unrelated claim, to a trademark case so that evidence, though irrelevant to the trademark issues, could nonetheless be made available to taint the jury's fact-finding as to those issues. This result, as occurred here, would undermine the established parameters of trademark law.

Second, as discussed below, the evidence of other uses of the marks could have been admitted only for the limited purpose of deciding the false advertising claim. Had the jury been so instructed, as required by Rule 105, it would have been given the guidance which is essential to determine which evidence applied, and more important did not apply, to what issues.

Third, regardless of why the evidence initially reached the jury, the fact is that irrelevant evidence determined the trademark status of the Ice Marks contrary to the controlling precedent cited above and contrary to common sense.

II. THE COURT OF APPEALS WRONGFULLY REWROTE RULE 105 OF THE FEDERAL RULES OF EVIDENCE.

Rule 105 of the Federal Rules of Evidence provides:

> When evidence which is admissible ... for one purpose but not admissible ... for another purpose is admitted, the court, upon request, shall restrict the evidence to its proper scope and instruct the jury accordingly.

Rule 105 exists because it is unlikely that a jury will appreciate the narrow use to be made of evidence admitted for a limited purpose without "firm judicial guidance." 1 Jack B. Weinstein *et al., Weinstein's Evidence* ¶ 105[03], at 105-14 (1996). *See Shepard v. United States*, 290 U.S. 96, 104 (1933) (Cardozo, J.) (a jury is incapable of discriminating between admissible and inadmissible purposes of admitted evidence and the "reverberating clang" of the inadmissible use "would drown out" any admissible use).

In accordance with all precedent, including the Court of Appeals' own decision in *A-B v. Stroh*, the evidence of foreign, trade and internal uses of the Ice Marks was admissible only for the limited purpose of addressing A-B's false advertising claim. To prevent the jury from improperly considering the evidence to determine the trademark issues, Labatt requested that a Rule 105

limiting instruction be given (App. 29a-31a). Rule 105 *required* that the Trial Court give the limiting instruction tendered by Labatt.

Rule 105 "does not give the judge any discretion to dispense with a limiting instruction." 21 Charles Alan Wright & Kenneth W. Graham, Jr., *Federal Practice and Procedure* § 5065, at 159 (1996). *Accord Sherman v. Burke Contracting, Inc.*, 891 F.2d 1527, 1534 (11th Cir. 1990) (Rule 105 imposes on the court a duty to provide a limiting instruction upon request); *Borunda v. Richmond*, 885 F.2d 1384, 1388 (9th Cir. 1988) ("Rule 105 obligates the trial judge to restrict the evidence to its proper scope and entitles the opponent to a[ ] [limiting] instruction"); *Hale v. Firestone Tire & Rubber Co.*, 756 F.2d 1322, 1334-35 (8th Cir. 1985) (refusal to give requested limiting instruction was reversible error); *Lubbock Feed Lots, Inc. v. Iowa Beef Processors*, 630 F.2d 250, 265-66 (5th Cir. 1980) ("Once the court determines that such evidence should be admitted, however, it cannot refuse a requested limiting instruction"); *United States v. Washington*, 592 F.2d 680, 681 (2d Cir. 1979) (the trial court cannot refuse to provide any requested limiting instruction); 1 Weinstein *et al.*, *supra*, ¶ 105[01] at 105-3, 105-5 (limiting instructions are required and may not be refused if they are sought); 21 Wright & Graham, supra, § 5065 at 326 ("Rule 105 makes the instruction mandatory when requested...").

Accordingly, the Trial Court erred when it failed to give Labatt's requested instruction thereby transforming evidence admissible for a limited purpose, to evidence admitted for all purposes. *See Bailey v. V & O Press Co.*, 770 F.2d 601, 608-09 (6th Cir. 1985) (the trial court's failure to issue a limiting instruction was reversible error where evidence was admissible for the negligence claim but not for the determination of the strict liability claim); *Minichello v. U.S. Indus.*, Inc., 756 F.2d 26, 30 (6th Cir. 1985) (the trial court's failure to proffer a limiting instruction allowed the jury improper, unrestricted consideration

of the evidence); *Washington,* 592 F.2d at 681 (trial judge's failure to give requested limiting instruction was reversible error).

Nevertheless, the Court of Appeals, and the Trial Court, treated Rule 105 as if it were discretionary, contrary to all of the precedent cited above. The Court of Appeals concluded the Trial Court had the option to ignore Rule 105 because Labatt "opened the door" by protecting itself against A-B's false advertising claim. *Anheuser-Busch, Inc.,* 89 F.3d at 1345 (App. 8a-9a). In arriving at this unprecedented conclusion, the Court of Appeals turned Rule 105 on its head; in every case cited above, the court opened the door for evidence to reach the jury on one clearly identified issue but, in accordance with the mandatory nature of Rule 105, closed the door to its application as to any other issue. If the rule were otherwise, *i.e.* once evidence were admitted for one purpose, then it would be admitted for all purposes, the requirement of relevance would be eliminated.

If not corrected, the Court of Appeals' Opinion will encourage the dangerous gamesmanship disdained by the Federal Rules of Civil Procedure and the Federal Rules of Evidence. Joinder of claims is encouraged under Rule 18 of the Federal Rules of Civil Procedure. Rule 105 is the counterweight to that permissive joinder; even if two claims are joined, evidence relevant only to one cannot be used to resolve the second. Moreover, joinder of claims does not dispense with the requirement of relevance. Indeed, to admit evidence without a limiting instruction "invite(s) the parties to manipulate the rules of joinder of claims and the parties to evade the rules of evidence." 21 Wright & Graham, *supra*, § 5062 at 303.

Under the Court of Appeals' treatment of Rule 105, a party can now parade evidence before the jury which is unquestionably irrelevant to its main case so long as joined to the main case is an unrelated, even subordinate, claim as to which that otherwise irrelevant evidence is germane. As a result, instead of the jury

giving limited consideration to evidence which is admitted for and tied to only one claim, the jury will give such evidence full consideration as to all claims. The purpose for Rule 105 is specifically to prevent such mischief. Each claim should be judged only by the evidence relevant to it, not based on the coincidence of the joinder.[3] *See* Fed. R. Evid. 105 Advisory Committee Notes (because "(a) close relationship exists between this Rule [Rule 105] and Rule 403, which requires exclusion when 'probative value is substantially outweighed by the danger of unfair prejudice, confusion of the issues, or misleading the jury,'" evidence relevant for one purpose, but not to another, must be excluded). *See Terrell v. Childers,* 889 F. Supp. 311, 315 (N.D. Ill. 1995) (prejudicial allegations relevant to one claim, but not relevant to all claims, stricken from complaint). To view the matter otherwise hopelessly prejudices the claimed trademark owner.

The evidence that such joinder can create intolerable results when Rule 105 is ignored is underscored by this case. Even the jury in A-B's backyard found in favor of Labatt on A-B's false advertising claim (App. 34a). Yet, the evidence which was admitted as relevant to the false advertising claim, of which Labatt was exonerated, was also wrongfully used to measure the validity of the Ice Marks, an issue to which it was not relevant. Thus, A-B's flimsy false advertising claim allowed A-B to introduce evidence which was completely irrelevant to, but used nonetheless by the jury to decide, the trademark issues. Indifference to Rule 105 is impermissible and can, as it did here, hopelessly mislead the jury and result in an unjust verdict.

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[3] Legal scholars have noted the danger incident to joinder. Weinstein explains that "it is quite possible that evidence may be relevant in proving an issue, but may be subject to misuse if used as to another, as indicated by [Federal] Rules [of Evidence] 404(b), 407, 408 and the like." 1 Weinstein *et al., supra,* at ¶ 105[01], 105-7.

By ignoring Rule 105, the Court of Appeals seemed to admonish Labatt that it caused its own dilemma by daring to defend itself against A-B's false advertising charge thereby opening the door for evidence to be admitted that was irrelevant to the trademark issues. However, Labatt had every right both to defend the false advertising claim and to pursue its legitimate trademark rights and, further, to have the protection of the court's instruction to the jury under Rule 105. Regardless of what other claims were joined by A-B to the trademark claims, Labatt was entitled to the same treatment under trademark law that protected A-B in *A-B v. Stroh*. The Court of Appeals gave A-B protection against the admission of foreign and internal trademark use when Stroh was opposing A-B's claim to the trademark "L.A. Beer." However, the Court of Appeals in this case wrongly allowed such use into evidence when A-B was fighting to deprive Labatt of its Ice Marks. By doing so, the Court of Appeals deprived Labatt of the evenhandedness that the law requires.

CONCLUSION

Intellectual property litigation is burgeoning. Clear, consistent standards are essential to guide that litigation. A basic element of a trademark infringement action is the backdrop against which a trademark's status is measured. Until the Court of Appeals' Opinion, it was agreed that only evidence of U.S. consumer perception was relevant to the determination of whether a trademark was valid even in the event of joinder of an unrelated claim. Other uses of a mark were uniformly recognized as irrelevant and misleading to this analysis. The Court of Appeals wrongly broke both with precedent by allowing the concept of joinder to control over Rule 105 and with heretofore unimpeachable case law that only evidence of U.S. consumer perception determines trademark validity.

Even if evidence of other uses were relevant to the false advertising claim, Rule 105 provided the means to prevent the

evidence from polluting the jury's fact-finding as to the trademark issues. However, a decision which treats Rule 105 as discretionary, where it is not, and ignores established trademark law which prohibits any evidence, other than U.S. consumer perception, to determine trademark validity should not stand.

For the foregoing reasons, the petition for writ of certiorari should be granted.

Respectfully submitted,

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